

EXHIBIT F

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

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DIGITAL MEDIA SOLUTIONS, : Case No. 1:19-cv-00145
LLC, :
 : Cleveland, Ohio
Plaintiff, :
 : Monday, March 11, 2019
v. : 2:27 p.m.
 :
SOUTH UNIVERSITY OF OHIO, :
LLC, ET AL., :
 :
Defendants. :
-----X

TRANSCRIPT OF SHOW CAUSE HEARING PROCEEDINGS

BEFORE THE HONORABLE DAN AARON POLSTER

UNITED STATES DISTRICT JUDGE

And

BEFORE THE HONORABLE THOMAS M. PARKER

UNITED STATES MAGISTRATE JUDGE

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Proceedings recorded by mechanical stenography, transcript
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1 that I've seen to build another facility and use the
2 facility that they already have, if they can make a deal
3 with the landlord.

4 To prevent recidivism out of the prison system they
14:38:58 5 have there, to train people for the casinos and jobs that
6 aren't minimum wage, they're up -- working wages. And also
7 to train the folks that belong to the restaurant workers
8 unions and that, to train there so that they can go on to
9 greater employment. I think it's a great idea. That's --

14:39:15 10 THE COURT: Who is the landlord, and is the
11 landlord getting paid?

12 MR. DOTTORE: Right now, the landlord is not
13 getting paid. But from what I understand, the Save
14 Las Vegas folks offered to pay the landlord, even the back
14:39:28 15 rent over a period of -- the back rent over a slow period of
16 time, and the go-forward rent going forward from now.

17 THE COURT: Well, part of the problem -- let
18 me just say, part of the problem is that it's come to our
19 attention that during the term of this receivership, schools
14:39:49 20 have been continuing to operate, and the landlords haven't
21 been getting paid. All right? I don't think that's fair or
22 appropriate. It's got to stop.

23 So, I mean, one way or another, we got to either close
24 this place, someone has got to buy it, or if it's operating,
14:40:08 25 the landlord needs to get paid.

1 time the money was received from DOE?

2 MR. DOTTORE: I'm going to let my CFO speak to
3 that. Because after we became alerted that the student
4 stipends weren't paid, before we sent the paperwork on, we
15:49:36 5 started to do an investigation. And he did the
6 investigation. That's Mr. Linscott.

7 THE COURT: All right.

8 MR. LINSOTT: Dave Linscott from Dottore
9 Companies.

15:49:46 10 THE COURT: Yes, Mr. Linscott.

11 MR. LINSOTT: When we arrived in Pittsburgh
12 after our appointment, we began to look at a cash flow
13 model, a business -- determining if the business was viable
14 to continue.

15:50:01 15 As we were putting together our cash flow models, we
16 started asking questions about, How does your revenue come
17 in? When does the Title IV money come in? Are we going to
18 have enough cash to make it through next week and the rest
19 of the semester?

15:50:20 20 And it was explained to us at that time, that there
21 were 28 to \$30 million of funding available at the
22 department.

23 Of that 28 to 30 million, there was 13 to 16 million
24 of stipends that would have to be paid out of those funds.

15:50:42 25 So at that point in time, we associated this large

1 stipend balance to future funding requests.

2 We later, a couple of weeks later, as we continued to
3 investigate this, because the receiver was asking me, The
4 department says these stipends were already paid. The
15:51:15 5 stipends were already paid. Get to the bottom of it.

6 As I began to dig into that, we found out that the 13
7 million of outstanding stipends related to periods November,
8 December, January, pre-receiver, and that these amounts had
9 been growing for the past several months.

15:51:40 10 THE COURT: So you're saying you found the \$13
11 million of stipends that the schools had represented to DOE
12 as having been paid to students, in fact, were not paid to
13 students?

14 MR. LINSKOTT: Yes.

15:52:06 15 THE COURT: Were you able to determine where
16 the money went?

17 MR. LINSKOTT: I have not tried to trace
18 dollars and perform a --

19 THE COURT: Well, did it appear to go into the
15:52:23 20 school's operations? Or did you find money going --

21 MR. LINSKOTT: It appeared to go --

22 THE COURT: -- you know, going, I'll say, out
23 to individuals or non-school entities?

24 MR. LINSKOTT: One of our challenges was, the
15:52:38 25 financial reporting accounting group at the schools had left

1 at the end of December. So there were no accounting people,
2 no financial reporting people in place when the receiver
3 arrived and was appointed.

4 Just -- and I haven't looked into this, but the money
15:53:03 5 went --

6 THE COURT: All right. So you couldn't tell?
7 You don't know where it went?

8 MR. LINSKOTT: That's correct.

9 THE COURT: All right. You just know it
15:53:14 10 was -- that the school had represented to DOE that they had
11 paid it to the -- they had paid the stipends to the student,
12 which they're required to do. The money came in from
13 DO -- it did come in then from DOE, but, in fact, the money
14 hadn't gone to the students?

15:53:33 15 MR. LINSKOTT: Correct.

16 THE COURT: All right. And it was November,
17 December, and the first part of January before the
18 receivership. All right.

19 All right. Mr. Dottore, you told the DOE on --
15:53:54 20 Mr. Frola on February 7th, that there were 16 million in
21 unpaid stipends.

22 Is that the 13 million plus the 2.8 that came in
23 January 29th? Or -- I'm just trying to get the discrepancy
24 between Mr. --

15:54:10 25 MR. DOTTORE: At the time, I believed it was

1 \$13 million. I was told -- or to the best of our ability to
2 inform this. You have to understand, Your Honor, we had to
3 go to people who were nonfinancial people to try and piece
4 this together.

15:54:25 5 MR. LINSKOTT: Your Honor, the 13 million did
6 not include the stipends due to the law school students. So
7 as we dug into this, the number kept growing because it
8 didn't include the law school, and that was another
9 3 million.

15:54:43 10 THE COURT: Okay. All right. So you found
11 another 3 million that was owed to law schools?

12 MR. GLICKMAN: Judge, Rob Glickman.

13 I don't mean to interrupt.

14 Dave Linscott is a CPA and a certified fraud examiner.
15:54:57 15 He's as diligent in this type of investigation as anyone
16 I've worked with.

17 I will tell you, this really is going to require a
18 deep-dive forensic accounting. It's --

19 THE COURT: Oh, I'm well aware of that. I --
15:55:10 20 and I'll need to decide what to do.

21 MR. GLICKMAN: I'm very nervous to try to tell
22 the Court one thing when we really haven't conducted a full
23 investigation.

24 THE COURT: No. I've got the information.

15:55:19 25 Mr. Linscott determined that representations had been